

**FRIENDS OF THE COLUMBIA GORGE, INC.
& SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2010



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& SUBSIDIARY

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KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of the Columbia Gorge, Inc. & Subsidiary
Portland, Oregon

We have audited the accompanying consolidated statement of financial position of Friends of the Columbia Gorge, Inc. & Subsidiary (not-for-profit organizations) as of June 30, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the consolidated financial statements of Friends of the Columbia Gorge, Inc. & Subsidiary as of June 30, 2009 and, in our report dated October 29, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Columbia Gorge, Inc. & Subsidiary as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KERN & THOMPSON, LLC

Portland, Oregon
November 24, 2010

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2010

(With Comparative Totals as of June 30, 2009)

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 932,926	\$ 2,066,431
Investment interest receivable	39,938	26,694
Accounts receivable	2,060	-
Grants and pledges receivable	-	793,991
Investments	5,746,637	4,012,761
Prepaid expenses	18,890	12,221
Equipment and furniture, net of accumulated depreciation of \$38,423 and \$38,413, respectively	1,349	10
Land trust	<u>4,503,196</u>	<u>4,590,418</u>
Total assets	<u>\$ 11,244,996</u>	<u>\$ 11,502,526</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 24,040	\$ 21,327
Accrued vacation and benefits	<u>11,122</u>	<u>15,558</u>
Total liabilities	<u>35,162</u>	<u>36,885</u>
Net assets		
Unrestricted		
Available for operations	1,824,868	1,132,251
Net investment in land and easements	4,503,196	4,590,418
Board designated - Building Blocks	-	799,759
Board designated - projects	642,424	622,186
Board designated - endowment	<u>1,837,965</u>	<u>1,774,649</u>
	8,808,453	8,919,263
Temporarily restricted	2,181,139	2,333,636
Permanently restricted	<u>220,242</u>	<u>212,742</u>
Total net assets	<u>11,209,834</u>	<u>11,465,641</u>
Total liabilities and net assets	<u>\$ 11,244,996</u>	<u>\$ 11,502,526</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2010	2009
Public support and other revenue					
Foundations	\$ 161,500	\$ 2,000	\$ -	\$ 163,500	\$ 103,250
Contributions	63,550	26,310	7,500	97,360	240,396
Bequests				-	3,243,377
Memberships	347,282	100	-	347,382	343,433
Non-cash donations				-	2,318,420
Loss from sale of land	(77,710)	-	-	(77,710)	(958,276)
Interest income	172,331	123	-	172,454	85,273
Other	33,466	-	-	33,466	64,048
	<u>700,419</u>	<u>28,533</u>	<u>7,500</u>	<u>736,452</u>	<u>5,439,921</u>
Net assets released from restrictions					
Satisfaction of purpose	181,030	(181,030)	-	-	-
Total public support and other revenue	<u>881,449</u>	<u>(152,497)</u>	<u>7,500</u>	<u>736,452</u>	<u>5,439,921</u>
Expenses					
Program services					
Land trust	181,491	-	-	181,491	251,285
Outreach and outdoor program	163,170	-	-	163,170	161,703
Legal	125,000	-	-	125,000	143,923
Conservation	140,953	-	-	140,953	146,898
Lobbying	29,445	-	-	29,445	50,471
Casino	75,904	-	-	75,904	110,406
Total program services	<u>715,963</u>	<u>-</u>	<u>-</u>	<u>715,963</u>	<u>864,686</u>
Supporting services					
Management and general	112,642	-	-	112,642	126,395
Fund-raising	197,181	-	-	197,181	197,560
Total expenses	<u>1,025,786</u>	<u>-</u>	<u>-</u>	<u>1,025,786</u>	<u>1,188,641</u>
Increase (decrease) in net assets before change in investments	(144,337)	(152,497)	7,500	(289,334)	4,251,280
Net realized and unrealized appreciation (depreciation) of investments	<u>33,527</u>	<u>-</u>	<u>-</u>	<u>33,527</u>	<u>(233,845)</u>
Change in net assets	<u>(110,810)</u>	<u>(152,497)</u>	<u>7,500</u>	<u>(255,807)</u>	<u>4,017,435</u>
Net assets, beginning of year	<u>8,919,263</u>	<u>2,333,636</u>	<u>212,742</u>	<u>11,465,641</u>	<u>7,448,206</u>
Net assets, end of year	<u>\$ 8,808,453</u>	<u>\$ 2,181,139</u>	<u>\$ 220,242</u>	<u>\$ 11,209,834</u>	<u>\$ 11,465,641</u>

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010
(With Comparative Totals for the Year Ended June 30, 2009)

	PROGRAM				
	<u>Land Trust</u>	<u>Outreach & Outdoor Program</u>	<u>Legal</u>	<u>Conserva- tion</u>	<u>Lobbying</u>
Salaries	\$ 58,379	\$ 62,344	\$ 67,156	\$ 60,399	\$ 20,032
Payroll taxes	5,771	5,700	6,601	6,147	1,984
Benefits	7,692	9,631	5,260	24,286	3,171
Rent	4,265	5,249	2,916	14,324	1,827
Printing	1,058	1,290	908	3,513	436
Publication costs	4,445	31,898	-	-	-
Prospect costs	-	6,509	-	200	-
Postage	716	860	583	2,567	290
Office supplies	1,464	718	402	2,022	246
Telephone	1,248	1,134	367	2,935	291
Database and website	163	1,012	593	7,546	358
Training	267	257	344	53	3
Equipment maintenance	924	1,049	615	2,839	371
Dues and subscriptions	389	305	1,607	2,059	55
Insurance	3,203	397	-	1,520	105
Board and staff meetings	108	114	56	275	34
Event costs	1,182	30,327	-	549	-
Professional and contract services	18,713	-	36,791	195	135
Travel	3,877	3,118	792	9,411	102
Merchandise expense	-	-	-	-	-
Land acquisition expense	30,354	-	-	-	-
Land maintenance	37,132	-	-	-	-
Miscellaneous expense	141	1,258	9	113	5
Depreciation	-	-	-	-	-
	<u>\$ 181,491</u>	<u>\$ 163,170</u>	<u>\$ 125,000</u>	<u>\$ 140,953</u>	<u>\$ 29,445</u>

See notes to consolidated financial statements.

SERVICES		SUPPORTING SERVICES				Total	
		Management and General	Fund-Raising	2010	2009		
Casino	Program Total						
\$ 49,520	\$ 317,830	\$ 36,881	\$ 116,110	\$ 470,821	\$ 456,176		
4,899	31,102	3,680	11,502	46,284	43,320		
7,038	57,078	4,828	16,098	78,004	83,073		
6,135	34,716	2,677	8,925	46,318	44,976		
968	8,173	664	3,732	12,569	7,672		
-	36,343	-	3,786	40,129	46,055		
-	6,709	-	13,236	19,945	25,510		
773	5,789	436	1,467	7,692	5,864		
655	5,507	1,091	1,232	7,830	4,344		
2,751	8,726	488	1,350	10,564	25,690		
794	10,466	456	1,589	12,511	402		
6	930	4	671	1,605	898		
823	6,621	565	1,881	9,067	13,754		
121	4,536	225	280	5,041	3,941		
-	5,225	3,384	1,585	10,194	11,206		
76	663	370	181	1,214	3,877		
-	32,058	-	7,962	40,020	41,198		
-	55,834	47,750	-	103,584	194,140		
1,240	18,540	605	987	20,132	15,866		
-	-	-	4,580	4,580	1,236		
-	30,354	-	-	30,354	-		
-	37,132	-	-	37,132	147,108		
105	1,631	8,528	27	10,186	7,821		
-	-	10	-	10	4,514		
\$ 75,904	\$ 715,963	\$ 112,642	\$ 197,181	\$ 1,025,786	\$ 1,188,641		

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

(With Comparative Totals for the Year Ended June 30, 2009)

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (255,807)	\$ 4,017,435
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10	4,514
Net realized and unrealized (appreciation) depreciation of investments	(33,527)	233,845
Loss from sale of land	77,710	958,276
Non-cash donations	-	(2,318,420)
Changes in assets and liabilities:		
Investment interest receivable	(13,244)	(18,972)
Accounts receivable	(2,060)	
Grants and pledges receivable	793,991	(701,019)
Prepaid expenses	(6,669)	17,743
Accounts payable	2,713	(4,697)
Accrued vacation and benefits	(4,436)	(1,083)
	558,681	2,187,622
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Proceeds from sale of investments	1,485,847	-
Purchase of investments	(3,186,196)	(3,260,843)
Proceeds from land trust sales	185,000	570,000
Additions to land trust	(175,488)	(522,503)
Purchase of equipment	(1,349)	-
	(1,692,186)	(3,213,346)
Net cash provided by (used in) investing activities		
Net change in cash and cash equivalents	(1,133,505)	(1,025,724)
Cash and cash equivalents, beginning of year	2,066,431	3,092,155
Cash and cash equivalents, end of year	\$ 932,926	\$ 2,066,431
Supplementary information		
Non-cash investing activities - donated land	\$ -	\$ 2,318,420

See notes to consolidated financial statements.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

NOTE A – DESCRIPTION OF ORGANIZATION

Friends of the Columbia Gorge, Inc. (Friends) was incorporated in Oregon in 1981 as a private not-for-profit entity. Its purpose is to protect the scenic, natural, cultural, historic and recreational values of the Columbia River Gorge (Gorge), encourage compatible economic development within the urban areas along the Gorge and educate the public to obtain effective implementation of the National Scenic Area Act. In February of 2007, Friends funded a wholly-owned subsidiary, The Friends of the Columbia Gorge Land Trust (collectively, the Organization). Programs of Friends are as follows:

- **Land Trust** – The Organization works to ensure long-term protection of lands in the Gorge.
- **Outreach and Outdoor Program** – The Organization works to inform and engage its members and the general public through education at events and seminars, stewardship projects on key lands, and public hikes throughout the Gorge.
- **Legal** – When Gorge resources are threatened by unlawful decisions and violations, the Organization exercises its right to file legal challenges. Similarly, when Gorge decision makers protect Gorge resources by upholding the law, the Organization helps defend the decisions against challenges by development interests.
- **Conservation** – The Organization works to protect the scenic and natural values of the Gorge by protecting the air quality of the Gorge, limiting sprawl and protecting forest and farmlands.
- **Lobbying** – The Organization conducts lobby activities to support laws that protect the Gorge's scenic and natural beauty.
- **Casino** – The Organization opposes the creation of a 600,000 square foot casino facility in the heart of the Gorge.

Funds are provided from memberships, contributions and grants.

Basis of Consolidation

The consolidated financial statements include those of Friends and Friends of the Columbia Gorge Land Trust (the Land Trust). Both organizations are under common control since board members of Friends comprise a majority of the Board of Trustees of the Land Trust. There is also an element of economic interest since the Land Trust holds significant resources that must be used only for purposes of Friends of the Columbia Gorge, Inc. In accordance with generally accepted accounting principles, consolidation is required. All material inter-organizational transactions have been eliminated.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. Transactions are classified according to the existence or absence of donor-imposed restrictions.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- **Unrestricted Net Assets** - Represent net assets that are not subject to donor-imposed stipulations.
- **Temporarily Restricted Net Assets** - Represent net assets subject to donor-imposed stipulations that may or will not be met by action of the Organization and/or the passage of time.
- **Permanently Restricted Net Assets** - Represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

The Organization classifies as cash and cash equivalents all checking, savings, and money market accounts and all highly liquid investments maturing within 90 days of purchase.

Contributions

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and Furniture

Equipment and furniture over \$1,000 are capitalized, recorded at cost and depreciated using the straight-line method over estimated useful lives of 3-10 years. Donations of equipment and furniture are recorded as revenues at their estimated fair market values on the date of receipt. Maintenance and repairs are expensed. Betterments and renewals are capitalized as incurred. Depreciation expense amounted to \$10 in 2010.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and investments in marketable securities. Cash deposited with financial institutions regularly exceeds the related federal deposit insurance limits. To mitigate this risk, management has placed excess cash in U.S. Treasury-backed money market accounts. Management periodically evaluates the relative credit standings of these financial institutions. Management also periodically evaluates the quality of the investments in marketable securities with other institutions, which are partially covered by federal insurance. Future changes in market prices may make such investments less valuable. Whether or not the effect of market fluctuations will result in permanent or temporary losses cannot be reasonably estimated.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized in the Statements of Activities. Certain costs, including salaries, rent, printing and depreciation, have been allocated among the programs and supporting services benefited.

Investments and Fair Value Measurements

Investments are the only assets measured at fair value on a recurring basis. Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable market data by correlation such as appraisals or other means such as calculations based on contractual rates and published tables.

Level 3 – Unobservable inputs that reflect management's assumptions and best estimates based on available data.

Investments in bonds, equities, and mutual funds are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. No assets were valued under Level 2 or Level 3.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Trust Assets

Assets held in the Land Trust consist of real property located in the Gorge acquired or donated to the Organization. Acquisitions of real property are carried at cost; donations are carried at fair value at the date of donation based on highest and best use, or discounted fair value if the highest and best use of the property conflicts with the Organization's mission.

Classification of Contributions and Net Assets

The Organization follows the guidance of generally accepted accounting principles for the classification of donor-restricted endowment funds that are subject to Oregon's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has determined that Friends' permanently restricted assets are endowment funds.

Additionally, the Board of Directors has designated a portion of its unrestricted net assets for operations and special projects. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed stipulations.

The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment and Spending Policies

The goal of the Organization's investment program is to achieve a total rate of return that will allow it to respond to today's needs and the long-term growth necessary to respond to future needs. The investment objective is to retain (at a minimum) and when possible, increase the purchasing power of the funds, while at the same time producing a reasonable return for distribution to meet current needs. To meet this investment objective, the Organization follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market-value changes (realized and unrealized) and current yield (interest and dividends). Assets are invested in a mixture of equity funds and cash.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Friends and the Land Trust each have been approved as tax-exempt organizations under the Internal Revenue Code 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Friends and the Land Trust federal exempt organization business tax returns for the years ended June 30, 2007, 2008 and 2009 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Additionally, certain reclassifications have been made to the prior-year summarized comparative information in order to conform to the current year presentation.

NOTE C – INVESTMENTS

Investments are measured at market value in the statement of financial position based on quoted market price (all Level 1 measurements). Net realized and unrealized gains and losses are included in the statement of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Investments consist of the following at June 30, 2010:

Corporate bonds & bond funds	\$ 2,247,883
Government bonds	2,192,174
Stocks & equity mutual funds	<u>1,306,580</u>
	<u>\$ 5,746,637</u>

NOTE D – DESIGNATED NET ASSETS

In 2005 the Organization's Board of Directors created the "Building Blocks Funds" in which \$500,000 from the Norman Yeon bequest was to be used for capacity building. In 2009, the Organization received a bequest from Nancy Russell, of which it designated another \$500,000 to the "Building Blocks Funds." Based on material achievement of the capacity building goals, all of the funds designated for "Building Blocks Funds" were re-designated to the unrestricted funds during fiscal year 2010. The Board designated \$624,208 for Collins land purchases, and \$18,216 for closing the PGE Boardman plant, as of June 30, 2010. These Board-designated funds are not classified as endowment funds.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE E – ENDOWMENT NET ASSETS

The Board of Directors also designated a portion of its unrestricted net assets as a quasi-endowment. The balance of \$1,837,965 as of June 30, 2010 is designated for operations and special projects.

Endowment net asset composition by type of fund as of June 30, 2010 was as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor-designated funds	\$ -	\$ -	\$ 220,242	\$ 220,242
Board designated - endowment	<u>1,837,965</u>	<u>-</u>	<u>-</u>	<u>1,837,965</u>
Total endowment net assets	<u>\$ 1,837,965</u>	<u>\$ -</u>	<u>\$ 220,242</u>	<u>\$ 2,058,207</u>

Changes in endowment net assets for the year ended June 30, 2010 were as follows:

	<u>Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 1,774,649	\$ -	\$ 212,742	\$ 1,987,391
Contributions	-	-	7,500	7,500
Appropriations	113,816	(113,816)	-	-
Investment gains (losses)	-	113,816	-	113,816
Expenditures	<u>(50,500)</u>	<u>-</u>	<u>-</u>	<u>(50,500)</u>
Endowment net assets, end of year	<u>\$ 1,837,965</u>	<u>\$ -</u>	<u>\$ 220,242</u>	<u>\$ 2,058,207</u>

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE F – RESTRICTED NET ASSETS

As of June 30, 2010, the Organization had restricted net assets as follows:

Temporarily restricted:		
Cape Horn acquisition fund		\$ 1,575,792
Emergency acquisition fund		374,512
Stewardship fund		200,000
Winthrop Memorial fund		25,910
Oregon Parks Foundation		2,000
Clausen Youth fund		<u>2,925</u>
		<u>\$ 2,181,139</u>
Permanently restricted:		
Nancy Russell Endowment		\$ 164,242
Land Trust Endowment		5,000
Vic Clausen Youth Fund		<u>51,000</u>
		<u>\$ 220,242</u>

NOTE G – JOINT COSTS

The Organization incurred joint costs of \$59,555 for informational materials and activities that included fund-raising appeals during the year ended June 30, 2010. These costs were allocated as follows:

	Newsletter Costs	Prospect Costs	Total
Program services	\$ 36,837	\$ 8,346	\$ 45,183
Fund-raising	<u>3,292</u>	<u>11,080</u>	<u>14,372</u>
	<u>\$ 40,129</u>	<u>\$ 19,426</u>	<u>\$ 59,555</u>

NOTE H – LEASES

The Organization has an operating lease for office space that expires in October, 2011. Office rent expense for the year ended June 30, 2010 amounted to \$42,885. The Organization also has an operating lease for a copier with minimum monthly payments of \$402 expiring in January 2012.

FRIENDS OF THE COLUMBIA GORGE, INC. & SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2010

NOTE H – LEASES (CONTINUED)

Future minimum lease payments, subject to Consumer Price Index adjustments on the office space, are as follows:

<u>Year Ending June 30,</u>	<u>Office Space</u>	<u>Copier</u>	<u>Total</u>
2011	\$ 42,674	\$ 4,824	\$ 47,498
2012	<u>14,361</u>	<u>2,814</u>	<u>17,175</u>
	<u>\$ 57,035</u>	<u>\$ 7,638</u>	<u>\$ 64,673</u>

NOTE I – OPTION COMMITMENT

In January 2009, the Nancy Russell Trust (the Trust) assigned an option to purchase certain land located in Skamania County, Washington for \$2,000,000 to the Land Trust. Under the terms of the assignment agreement, the Land Trust is required to pay \$20,000 to the Trust prior to July 31 each year in order to renew the right to exercise the purchase option. Additionally, the assignment agreement requires the Land Trust to pay the property taxes on the optioned land. Under the terms of the option agreement, the annual renewal fee will not be applied to the purchase price and is not refundable in the event the option is never exercised. The option can be renewed until August 2030.

NOTE J – RETIREMENT PLAN

The Organization has a SIMPLE Individual Retirement Plan available for all permanent employees in which the Organization contributes up to a 3% match of employee contributions. The retirement expense for the year ended June 30, 2010 was \$13,221.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 24, 2010, which is the date the financial statements were available to be issued.